

The Service Occupation Tax Act and Service Use Tax are imposed on the transfer of tangible personal property incident to sales of service. If no tangible personal property were being transferred to the customers incident to the services provided, then neither Illinois Service Occupation Tax nor Service Use Tax would apply. See 86 Ill. Adm. Code 140.101 and 160.101. (This is a GIL.)

July 22, 2005

Dear Xxxxx:

This letter is in response to your letter dated December 21, 2004, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at [www.ILTAX.com](http://www.ILTAX.com) to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

ABC is a leader in document security, providing both shredding and storage services. ABC' shredding services provide both on-site and off-site document destruction, servicing businesses daily, weekly, monthly, quarterly, or on an 'as needed' basis. The shredded material is then resold by ABC to a recycling facility.

ABC' storage facilities are dedicated to providing a total record and information management solution by offering a full range of information storage services, such as: economical hard copy storage and retrieval, medical records storage, media storage, and imaging (converting or scanning paper documents to be sent directly to the customer at request).

As a result of ABC's continued growth, we are creating a new billing system and expanding our billing charges. We are asking the State of Illinois to review the attached list of billing charges to ensure ABC properly identifies taxable services offered to our clientele. We are also asking the State of Illinois to review the attached list of purchases made by ABC to verify whether the items purchased are taxable or non taxable.

If you have any questions regarding any items, please feel free to contact me directly.

## State of Illinois

Instructions: Please place an 'X' or a check in the appropriate column to indicate whether each item/service is taxable or exempt

### ***Invoices charges that constitute a sale:***

<u>Taxable</u>	<u>Exempt</u>		
Shredding - On-site	This is our standard charge for regular on-site shredding	_____	_____
Shredding - Off-site	This is our standard charge for regular off-site shredding	_____	_____
Purge - On-site	Our charge for on-site shredding for customers without reoccurring service	_____	_____
Purge - Off-site	Our charge for off-site shredding for customers without reoccurring service	_____	_____
Labor Charge	A charge for additional labor -such as buildings with many flights of stairs	_____	_____
Trip Charge	A charge to make an additional or non-scheduled trip to the customers place of business	_____	_____
Dump Charge	A charge to dump items that have been contaminated/rejected by the recycler	_____	_____
Installation Charge	A charge for the initial accounts setup. i.e. placing containers in facility	_____	_____
Incineration Charge	A charge for property that cannot be shredded and is sent to a third party incinerator	_____	_____
Product Destruction	A charge to shred property (not paper) such as: winning bottle caps	_____	_____
Service Charge	A charge to help us offset some fo [sic] the costs involved with our services, including, energy, gasoline, fuel taxes, licensing, and permitting vehicles	_____	_____
Loss/Replacement Charge	A charge for the loss or replacement of the container used at the customer's place	_____	_____

	of business to hold items to be shredded		
Service Minimum	A fee charged to customers whose billing does not meet our minimum billing requirements	_____	_____
Monthly Storage	A charge for rental of storage area	_____	_____
Indexing	A charge for preparing the documents for storage including bar coding and shelving	_____	_____
Standard Retrieval	This is our standard charge for retrieving property in storage	_____	_____
Rush Retrieval	A charge for rush retrieval of property in storage	_____	_____
Emergency Retrieval	A charge for non-business hours retrieval of property in storage	_____	_____
Scheduled Pick-Ups /Deliveries	A charge for delivery of retrieved property in storage	_____	_____
Rush Delivery	A charge for rush delivery of retrieved property in storage	_____	_____
Emergency Delivery	A charge for non-business hours delivery of retrieved property in storage	_____	_____
Labor Rates	A charge for labor supplied by us to client for organizing onsite records for storage	_____	_____
Copies	A fee to pull and copy information for a client	_____	_____
Faxes	A fee to pull and fax information to a client	_____	_____
Permanent Removal and Destruction	A fee for removal or destruction of information stored	_____	_____

### State of Illinois

Instructions: Please place an 'X' or a check in the appropriate column to indicate whether each item is taxable or exempt.

### ***Items that Constitute Expenses or Purchases:***

		<u>Taxable</u>	<u>Exempt</u>
On-site Shredding Trucks	Truck in which a shredding unit is incorporated to shred material on the truck at the customer's location	_____	_____
Collection Trucks	Similar to a garbage truck; loose paper is collected and transported to our plant for shredding		
Off-site Shredders	Equipment used at our plant to shred paper not shredded on-site	_____	_____
Balers	Equipment used to put the shredded paper in bales for recyclers	_____	_____
Box Trucks	Used to deliver stored/retrieved items to customers	_____	_____
Vans	Used as a delivery van to deliver stored/retrieved items to customers	_____	_____
Forklift	To lift/place bales onto trucks for delivery to the recyclers; other miscellaneous uses	_____	_____
Bobcat	To move loose paper into the paper pit	_____	_____
Paper Pit	Pit into which loose paper is put before it is put into the baler.	_____	_____
Conveyors	Conveyors move material/paper from the paper pit to the shredder to the baler system	_____	_____
Tipper	Equipment used to tip containers into the pit or onto the conveyor.	_____	_____
Wheeled Containers	Left for use at customers location to store documents needing to be shredded. Customers are NOT charged for item	_____	_____
Executive Cabinets	Left for use at customers location to store documents needing to be shredded. Customers are NOT charged for item	_____	_____
Metering System	System used to control the amount of paper that flows into the shredder.	_____	_____
Racking	Shelves upon which the boxes are	_____	_____

Stored.

Order Pickers	Equipment used to lift a person to the different levels of racking.	_____	_____
Semi-Trucks	Used to deliver bales to recyclers in bulk and deliver stored/retrieved items to customers	_____	_____
Handheld Scanners	Equipment used to track bar-coded boxes/items placed in or retrieved from storage	_____	_____
Bar-coding Equipment	Equipment used to code and track boxes/items before they are placed in storage	_____	_____
Alarms/Security Equipment	Equipment used to ensure security and monitor storage facilities	_____	_____
Fire Suppression	Similar to Fire Alarm Systems with heat detectors and sprinkler systems	_____	_____

#### **DEPARTMENT'S RESPONSE:**

We apologize that the Department is unable to respond in the format requested. The Illinois Retailers' Occupation Tax Act imposes a tax upon persons engaged in this State in the business of selling tangible personal property to purchasers for use or consumption. See 86 Ill. Adm. Code 130.101. The Use Tax Act imposes a tax upon the privilege of using in this State tangible personal property purchased at retail from a retailer. See 86 Ill. Adm. Code 150.101. If no tangible personal property is being transferred to the customers, then no Illinois Retailers' Occupation Tax nor Use Tax would apply. Likewise, the Service Occupation Tax Act and Service Use Tax are imposed on the transfer of tangible personal property incident to sales of service. See 86 Ill. Adm. Code 140.101 and 160.101. If no tangible personal property is being transferred to the customers incident to the services provided, then no Illinois Service Occupation Tax nor Service Use Tax would apply.

The tax liabilities of warehousemen who hold themselves out to the public as being engaged in the business of moving, storing, packing and shipping tangible personal property belonging to other persons are generally engaged in a service transaction. See 86 Ill. Adm. Code 130.2170. The business of providing security, shredding and storage services would generally fall under this category. If no tangible personal property is transferred to the service customer, then no Retailers' Occupation Tax, Use Tax, Service Occupation Tax, or Service Use Tax, is incurred.

Retailers' Occupation Tax liability may be incurred on any shredded material that is sold to a third party. Such a transaction may be exempt from tax if the purchaser is making a purchase of the shredded material for resale. See 86 Ill. Adm. Code 130.1405.

The Use Tax is a privilege tax imposed on the privilege of using, in this State, any kind of tangible personal property that is purchased anywhere at retail from a retailer. See 86 Ill. Adm. Code 150.101. Use Tax liability would be incurred on equipment and materials used in Illinois in the

performance of the service transaction. Some equipment, such as the shredder and balers, may qualify for the manufacturing machinery and equipment exemption. See 86 Ill. Adm. Code 130.330 and general information letter ST-03-0117-GIL. General information "Sunshine Letter" rulings may be viewed on the Department's internet website under the heading of "Legal Research."

I hope this information is helpful. If you require additional information, please visit our website at [www.ILTAX.com](http://www.ILTAX.com) or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Edwin E. Boggess  
Associate Counsel

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